



Multilateralism in Trade and Free Convertibility of Currencies as Important Economic Bases to Secure Peace

Contemporary scholars of international relations and international political economy both argue multilateralism in trade and free convertibility of currencies are two important economic bases for securing world peace. The defensible logic of their argument derives from expectations on the outcome of a serious wager; the wager is will states opt to favor peace in lieu of war amidst one another. This presumption situates itself on the belief that states currently recognize directing hostile military aggression towards one another would greatly undermine and damage the complicated, fragile and interwoven web of Complex [economic] Interdependence existing in the world today. Therefore, proponents of this economic peace theory are confident all states currently recognize any major disruption in the delicate yet strained balance of economic interdependence existing between them, would initiate a chain reaction of grave economic consequences; possibly consummating itself in another Great Depression (1930s).

The advocates of this theory believe states will espouse peace in lieu of war in order to preserve the Complex [economic] Interdependence and the world's economic stability. The logic of this argument is not new, yet only an updated version of the former balance of power strategy implemented prior to the mid-19th century when basic units measuring state power then, was territory. Now, in lieu of territory, basic units measuring state power are wealth and monetary lending ability. These two items give states enormous power and influence over one another. Hence

strong financial states possessing abilities to lend and export monetary capital are more capable of dictating terms of such loans to those countries they lend to; in dire financial need. The economic powerful state then dictates the loan terms to the lending state possessing great leverage over the economic and political policies of the borrower state.

My hypothesis is dual: First, I argue the French Revolution produced a hospitable world atmosphere in which an interconnected and complex interdependent economic relationship between states was enabled to emerge. Second, I argue that the former balance power used by states prior mid 19th century in attempts to secure world peace underwent a transformation in both ideas and objective. Formerly, the balance of power objectives consisted of defending a sovereign states integrity both externally (territory) and internally (political turmoil). These former objectives were replaced by the modish inverse objectives of New Imperialism beginning in the late 1800s. New Imperialism enabled multilateral financial cartels expansion by allowing them power for invading the territories of weaker and less developed states e.g., primarily states south of the equator in order to exploit their natural resources and cheap human labor.

Examples include but are not limited to exploiting the diamond mines in South Africa., but also I in infiltrating the Middle East for oil. Hilferding refers to the era between the 1880s-1900s as the age of Finance Kapital e.g., when both banking and industrial interests unified as allies for the purpose of acquiring monetary gains. The era of Finance Kapital grew as more financial institutions industrial monopolies and financial cartels also merged; thus growing in international power.

As financial cartels grew, so did hostilities stemming from the exploited southern states below the equator. The scramble for claims on new lands for foreign investment opportunities by multilateralists was the primary cause for many liberation wars existing at that time. Eventually, exploited states retaliated against their multilateralist masters laying claims on their land, resources and citizenry. As history reveals, the economic peace theory did not turn out as expected. Although it first seemed likely that powerful international economic cartels could both steer the worlds economy and control the weaker more underdeveloped states by using threats of withholding greatly needed capital from them, many exploited states turned to socialism and communism to counteract multilateralist exploitation. Thus multilateralism was partially responsible for the Russian Revolution in 1917 due to the impact that multilateralist exploitation had on political thinkers such as Lenin (1916) and Burkharin (1915); directly leading to the Russian Revolution (1917). Likewise many other states such as Germany and some in Latin America resorted to

either communism or socialism political practices in attempts to temper the exploitation of the multilateral cartels. As history also reveals, the formation of communism in Russia led to the Cold War and not to peace as the economic peace theory asserts. In addition, Multilateralism directly paved the way to WWI. Some of the many wars fought throughout the Financial Kapital era include but are not limited to The Mexican Revolution (1910-1920), European Conflicts throughout 1898, and conflicts in the Ottoman Empire. The last era of conflicts was one in which all major powers involved themselves in for various struggles for power and wealth (1880-1914) culminating with the inception of WWI in Sarajevo (1914). Evident by the Conference in Paris (1916) was that peace would never be achieved by the economic peace theory. Sadly enough, statesmen seemed to have lost their short term memories as to what brought on WWI in the first place (struggles for power and wealth). Prior to the war's end in Paris, both Britain and France, who were later joined by other great powers such as the United States, met in order to decide in what manner the spoils of WWI would be divided amidst the victors. Thus the great powers gave no thought of a possible replay of WWI which history reveals did indeed occur as WWII reveals. The seeds of the economic-peace theory was planted in 1909-1911 (China Consortium Agreement) and fully bloomed by 1914 when the League to Enforce the Peace was constructed. Its members were comprised of private British and American business persons that spoke of how world peace could be secured through an economic cartel so powerful, that it would not be subject to state governments, but inversely, the state governments of the world would be subjected to it. Multilateralists such as the Morgan's, Rothchild's, and Citibank agreed that it was in their best financial interest to unify themselves. By obtaining control of the world's economic resources and wealth, they believed that they would henceforth both dictate and steer the international political economy of the world e.g., which also included dictating the political policy formation of state governments in many cases. Their first success came in 1928 with the Redline Agreement and expanded from there with both the Kellogg War Agreement and the Washington Treaty in 1921-1922. Thereby multilateralism became the new United States policy post WWI with the creation of new institutions such as the IMF and the World Bank. These multilateral institutions would act as a single financial voice throughout the world; no state government would be able to obtain necessary loans for privations or war unless they met the terms dictated to them these economic cartels. Multilateralists also saw the new market of war financing as an extremely attractive market by which they could obtain handsome monetary profits by lending governments money to make war. The problem with the economic-peace theory begins here in that the multilateral innovative idea of lending governments money to make war does not perpetuate the anti-war atmosphere needed for multilateralism to thrive in. Multilateralists did not immediately recognize this fault in their theory but instead argued that greater peace and prosperity between states would be an obvious consequence of further extending multilateralism in trade and free currency

convertibility worldwide which included the business of financing war for profit. What the proponents of multilateralism in trade and free currency convertibility distinctively recognized was the immense monetary gains they would obtain by institutionalization of their economic-peace theory on a worldwide scale; hence their theory was implemented. The attractive latent effect of immense capital gains obtainable by the wealthy northern states at a consequence of exploiting both the citizenry and resources of the southern states below the equator was the necessary thrust drove this theory into action. Thus the multilateralism's latent agenda of greed was overshadowed to many people by their benevolent persuasive discourse that their economic-peace theory would construct greater world peace based on economic interdependence. It worthy to note that both Multilateralism in trade and free currency convertibility emerged as the popular economic doctrine during the French Revolutionary period when Britain required new investment opportunities due to Britain's rapidly expanding internal capital reserves. Britain's financial growth at that time period was a result of former French nobility and other wealthy people depositing their capital in British banks in London. Multilaterists realized that land was easily conquered in contrast to a countries financial center, especially when it was interconnected to the financial centers of other states and private financial cartels around the world. Thus Britain emerged as a powerful financial hegemony in lieu of France in 1795. Britain's rise as a financial hegemony in lieu of France was directly related to the fact that France adhered to extreme protectionism in its trade policies largely comprised of trade barriers, high tariffs, and fixed currency rates. This urged wealthy Frenchman to deposit their capital reserves and holdings in British banks in London in lieu of France; causing France to further lose financial holdings. The stark difference between the economic growth of Britain and France at the time was also largely dependent upon Britain's using notes of exchange for payments when trading with other states instead of cash. Neal, Laison, and Skidmore, all correctly indicate the importance of currency convertibility in world trade. This point is most eloquently shown by the initiation of WWI in 1914, at which time Britain declined as a financial hegemony and the United States succeeded this role. Britain's decline as a financial hegemony was a result of Britain returning to the gold standard and fixed currency exchange rates in the 1870s along with Britain's involvement in WWI.

The United States was able to remain out of WWI until April 1917 avoiding much of the war debt that Britain had incurred. We can also attribute much of the Great Depression in 1930 to the result of states returning to the gold standard and fixed exchange rates from the 1870s to a short period following the conclusion of WWI. It is now recognizable thereby the balance of power was transformed post the early to mid-19th century by the emergence of multilateralism. Post the French Revolution, the former balance of power underwent a transformation in ideas. States no longer saw self-sufficiency, land, and mercantilism as the way to become recognized as a great world power. Contrarily, a state's rise and recognition as a great power in the

world was highly dependant upon that state's ability to both export and lend capital in addition to its ability to unify itself to the tightly knitted group of powerful and wealthy international investment bankers. Thus multilateral financial institutions such as the IMF and the World Bank were formed and expanded based on this change of ideas. I argue the former balance of power which focused primarily on land, now focuses on wealth. Thus it is justifiable that the former balance of power can now be called the balance of wealth (struggle for power and wealth between existing men, states, and nations. It is also worthy of mentioning that not all people adhere to multilaterism in the identical manner that the highly developed states do. Some states do not use currency as their prime indicator of wealth but wives, cattle, and food. Notwithstanding, the struggle for power and wealth seems pervasive in all cultures, tribal included. Both Gentz and Hume may also be used to support my hypothesis that the former balance of power underwent a great transformation in ideas post the French Revolution due to the emergence of multilateralism. The former language used in the 18th century to discuss both the balance of power and collective security systems such as the Concert of Europe in 1815 greatly differs to Neal's modern day economic discourse and language when referring to the same concepts. This is revealed in Neal's referring to contemporary collective security systems in new financial discourse and language by calling them by their modern day monetary organizational names such as the IMF, World Bank, Multinational Corporations, and Investment Bankers. These are some of the new collective security systems in which our world is now subject to for financial capital needs in order to make war. Starting after the mid to late 19th century, there existed a continuous relationship between capital and war financing; thus placing the state governments subject to the international war financiers of which the J.P. Morgan Company was the largest. The inception of war financing changed the rules of war forevermore. During the 1700s no civilians were soldiers but the nobility was; they fought for free as vassals paying homage to their Lord. After this practice ended, states required dependency on large monetary loans to finance their wars from private international bankers who reaped the profits thereof. War was thus transformed into a profitable market. States now required massive conscription and financial loans to pay the peasant soldiers and citizens to fight. Thus statism in combination with new weapons of mass destruction (WWII and Hitler) ushered in a new era of total warfare in which those who profited were the private war financiers who were more than happy to assist states in war making with their monetary loans for profit.

In 1792 the French government instituted the first universal draft ever in world history. These war financiers are the contemporary proponents of this economic-peace theory that so many contemporary scholars so readily accept as the means that will achieve world peace; a peace that is supposed to emerge through multilateral trade, free currency exchange, war financing, and exploitation of weaker states in the world. If one still believes that this economic-peace theory is able to

produce greater world harmony after the reading the immense historical evidence presented regarding the numerous wars created by the struggles for power and wealth; then one must ask oneself how these numerous wars that I have mentioned came into being in the first place if the economic-peace theory actually is able to secure greater world peace. My answer is that it cannot. If Complex Interdependence really promoted an anti-war atmosphere between states; primarily a consequence of the substantial reciprocal economic trading advantages that all states in the world would enjoy under such conditions; why are so many men, woman, and children dying of starvation in southern states below the equator while the northern standard of living is quite luxurious? The answer is obviously that Multilateralism in trade and free currency convertibility does not lead to an idealistic utopian society of peace; but the inverse thereof e.g., grave inequalities in the distribution of the worlds wealth and resources. If the economic-peace theory truly worked, we would today notice all states enjoying the benefits of both a comparative and absolute trading advantage due to specialization which would enable states to maximize their trading profits without the despotism of multilateral cartels whose actions seem more similar to those of most organized crime syndicates. If the economic-peace theory worked, states would be using their own trade profits and capital surplus to further their state's economic, industrial, and social needs while fulfilling the basic physiological needs of their citizenry. I do not see this result in contemporary society today; therefore I currently believe that this economic-peace theory does not secure a world of greater peace and cooperation. Instead I see a world in which hostilities and jealousies replace mutual economic cooperation between states based on the concepts of both multilateral trade and free currency convertibility. Hume argues that free trade without barriers would allow states to share and enjoy greater equally in the resources and monetary profits of our earth. Thus, men would realize that mutual cooperation is advantageous to war since no one nation can possess all the recourses that it needs to survive. Both multilateralism and free currency convertibility also fails to justify its argument that it is able to secure world peace when we recognize politicians and governments are still catering and placating the Military Industrial Complex Cartels. It is questionable whether the economic argument for peace can realistically reach such unrealistic ends. War has always plagued mankind, and there seems to be no indications that this distinct theory will stop war. If anything, the economic-peace theory has been the cause of more wars then it has been an advocate for world peace via greed. The outcome of this argument remains to be seen and will greatly depend on the fair behavior of the many economic international actors and interest blocs; some of which, but are not limited to the IMF, World Bank, Int'l Investors, MNC's, WTO, and the extent of social justice pervasive in the world government today.

Many governments are extremely suspicious of multilateral trade and free currency exchange and prefer a more nationalist and protectionism approach to their state economies such as the United States had in 1944 when instituting the Bretton

Woods Agreement which set the dollar to a fixed rate dependent on the gold standard. Bretton Woods revealed the many failures of fixed currency exchange rates in an evolving world in which multilateral trade is unable to survive without floating currency. Economic recovery in the 1950s Europe post WWII was congruent with enlarged military spending by the United States to finance military crusades in Vietnam, Korea, and Cold War expenditures including social welfare programs directed to compete with the Communists; again showing the failure of the economic-peace theory. This in turn created a balance of payments deficit in the United States, which alarmed many foreign investors. As the number of dollars held by foreigners overseas grew larger than the United States Gold Reserves actually possessed, this caused a "run on the dollar." In 1971 former President Nixon tried to regulate this financial crisis caused by Bretton Woods fixed exchange rates by instituting a belt tightening strategy which led to both inflation and an interest rate hike indicating the incompatibility of fixed exchange rates with the new epoch of deepening international economic interdependence and multilateral trade. Where international trade and foreign exchange rates are constantly changing, no nation can depend on a fixed currency rate as the Bretton Woods failure taught us. The end of the Bretton Woods came as the world pushed forward in foreign investments and multilateral trade which produced an asymmetrical economic interdependence wherein the losers in the economic-peace theory are dependent on the winners (IMF and World Banks). Scholars should ask if this theory is working at all just by analyzing the asymmetrical interdependent economic balance between the northern and the southern states below the equator (the great economic divide). The last war that I will mention over the endless struggle for power and wealth is the Opium Wars between the U.K and China. Thus we realize that the real winners in these endless battles for power and wealth are the human vices that cause: war, and human rights violations in the name of theories such as this one. Sad but true, due to human nature, as history reveals, the continual struggle and competition for power and wealth between states and men never seems to end. From the United States intervention in Iran to the voices of the ghosts of the soldiers who died during Desert Storm, I hear the same reoccurring historical theme that sadly nullifies any hope that this economic-peace theory can stop war or even that it can create world peace at all through multilateralism in trade and free exchange of currency convertibility. Instead it presents us with the clear and present dangers of those vices which are continually inherent within all human beings; namely lust for greed, respect, and power. Based on the track record of world history it seems that there is no greater a hope that economic means will achieve the perpetual peace Kant speaks of anymore than the former balance of power did prior to the French Revolution. War financing for profit and dollar diplomacy is more likened to of serious game of Russian Roulette than to a realistic strategy for perpetual world peace.

While the current economic argument that multilateralism in trade and free currency convertibility will result in a more peaceful world seems plausible, it is not likely that we will see this occur anytime soon in our own lifetime anyway (1998-----onward)

By Miss Jill Starr